

Message Text

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PAGE 01 BONN 12601 101841Z
ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 PA-01 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 IO-13 NEA-10 NSAE-00
ICA-11 OPIC-03 SP-02 LAB-04 SIL-01 AGRE-00 OMB-01
SS-15 L-03 H-01 XMB-02 /117 W
-----075679 111716Z /41

R 101821Z JUL 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0068
DEPARTMENT TREASURY
WHITE HOUSE WASHDC
INFO AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO

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USEEC AND USOECD ALSO FOR EMBASSIES
WHITE HOUSE FOR OWEN

E.O. 11652: N/A
TAGS: ECON EFIN GW
SUBJECT: SPD FISCAL COUNTERPROPOSAL TO
FDP TAX REDUCTION PROGRAM

REF: BONN 12355

1. SUMMARY -- WEEKLY "DER SPIEGEL" CLAIMS FINANCE
MINISTER MATTHOEFER AND RESEARCH MINISTER HAUFF HAVE PUT
TOGETHER A FISCAL PROGRAM OF SUBSIDIES FOR RESEARCH
AND DEVELOPMENT COSTING DM 12 BILLION. PROGRAM IS
EVIDENTLY INTENDED AS ALTERNATIVE TO TAX REDUCTION
PROGRAM IN SAME AMOUNT BEING ESPOUSED BY ECONOMICS
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MINISTER LAMBSDORFF AND FDP. END SUMMARY.

2. LEAD ARTICLE OF JULY 10 EDITION OF NEWS WEEKLY
"DER SPIEGEL" DESCRIBES A PROGRAM OF SUPPORT FOR
RESEARCH WHICH IS BEING PROPOSED BY FINANCE MINISTER
HANS MATTHOEFER AND MINISTER OF RESEARCH VOLKER HAUFF.
ACCORDING TO "DER SPIEGEL" THE PLAN DEVELOPED BY

MATTHOEFER AND HAUFF CALLS FOR THE ESTABLISHMENT OF FIVE INVESTMENT FUNDS TO UNDERWRITE PROJECTS INVOLVING (1) ECOLOGY AND ENVIRONMENT; (2) "HUMANIZATION" OF WORKING CONDITIONS; (3) DEVELOPMENT OF WATER SUPPLIES; (4) ENERGY SUBSTITUTES; AND (5) GENERAL INVESTMENT PROMOTION.

3. WITH THE DM 12 BILLION DONATED BY THE FRG THESE FUNDS WOULD PROVIDE UP TO 45 PERCENT OF THE FINANCING (SUBSIDIES AND LOANS) FOR PROJECTS UNDERTAKEN BETWEEN 1979 AND 1983 IN THE AFOREMENTIONED FIELDS WITH PRIVATE INDUSTRY CONTRIBUTING THE OTHER 55 PERCENT (DM 15 BILLION). THE PROGRAM'S SPONSORS WOULD HOPE TO SEE THE CREATION OF SOME 100,000 NEW JOBS THROUGH THESE PROJECTS.

4. "DER SPIEGEL" CLAIMS THAT THE DRAFTING OF THIS PROGRAM WAS AT THE BEHEST OF CHANCELLOR SCHMIDT WHO IS REPORTED TO HAVE BEEN INCENSED BY THE FDP'S INSISTENT ADVOCACY OF TAX CUTS AND BY ECONOMICS MINISTER LAMBSDORFF' ESPOUSAL OF DM 12 BILLION TAX REDUCTION PROGRAM IN WASHINGTON TWO WEEKS AGO. MATTHOEFER (UNTIL FEBRUARY HIMSELF RESEARCH MINISTER) AND HAUFF (WHO HAD BEEN STATE SECRETARY TO MATTHOEFER BEFORE HIS MINISTERIAL DESIGNATION) ARE REPORTED TO HAVE COLLABORATED ON A 23 PAGE PAPER ENTITLED "PROPOSALS FOR A BROADER ACTIVATION LIMITED OFFICIAL USE

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OF INVESTMENTS FOR THE FURTHERANCE OF QUALITATIVE GROWTH" WHICH WAS DELIVERED TO THE CHANCELLORY LAST WEEK -- ALL WITHOUT THE KNOWLEDGE OF COALITION PARTNER FDP.

5. COMMENT: A NUMBER OF SPD AND UNION LEADERS HAVE EXPRESSED EITHER CHAGRIN OR STRONG RESERVATIONS ABOUT FDP TACTICS AND ABOUT THE CONTENT OF THE TAX REDUCTION PROPOSAL. IT REMAINS UNCLEAR, HOWEVER, TO WHAT EXTENT CHANCELLOR SCHMIDT SHARES THESE MISGIVINGS. AT THIS TIME, ALL STATEMENTS BY ALL PLAYERS ARE DETERMINED SO MUCH BY COALITION AND SUMMIT BARGAINING CONSIDERATIONS THAT ALL HAVE TO BE TAKEN WITH SEVERAL GRAINS OF SALT. STOESEL

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